

## INCOME TAX RULES GO BEYOND THE LAW

"Manufacturers Record" Urges  
Friendly Suit by Way of  
Injunction.

### CASE FOR SUPREME COURT

Treasury Department Primer  
on Collection at Source  
Is Riddled.

"The regulations of the Treasury Department for the collection at the source of the tax from the interest on bonds instead of clarifying the situation have only made it more obscure and have emphasized the importance either of amending immediately the income tax law so as to bring it within the domains of the Constitution and common sense or of hastening steps for the review of the law by the Supreme Court," says the *Manufacturers Record* in its latest issue, "it emphasizes a case of statutory locomotor ataxia."

"One paragraph of the primer provides inferentially for a direct violation in certain circumstances of an unmistakable provision of the law."

It is pointed out that this direct violation is that the Treasury regulations require a corporation paying interest on its bonds from deducting the tax on interest paid on bonds held by other corporations which are themselves taxable or exempt from taxation.

#### One Serious Problem.

"This can only mean that the debtor must withhold the amount of tax from the interest unless such a certificate is presented with the coupons."

"But the last sentence of paragraph E of the law says: 'The provisions of this section relating to the deduction and payment of the tax at the source of income shall only apply to the normal tax hereinafter imposed upon individuals.'"

"This can only mean that the law can have nothing to do with the income of corporations, joint stock companies, &c., in connection with the deduction and payment of the tax at the source of income. In that particular it removes such bodies from the activities of the Treasury Department through the internal revenue office. The provision in paragraph E is one of those in the law making legally impracticable the full execution of the provision for withholding at the source the tax on the interest from bonds and similar obligations."

"There is nothing in the law authorizing or compelling banks, trust companies or similar organizations or individuals save in the case of the obligations of foreign corporations, to deduct and withhold, in any contingency, this tax on the interest on bonds, &c., as it passes through their hands for collection. But the Treasury Department, nevertheless, makes such a rule in its primer, without, however, specifying what disposition is to be made by the banks, &c., of the tax so deducted and withheld, or when and how."

"The law forbids the provisions as to deduction and payment of the tax at the source of income from applying to the income of corporations. &c. The Treasury Department cannot amend any law. That is the sole prerogative of the Congress of the United States."

"According to the income tax law a bank or other such medium or a debtor withholding the normal tax from the interest due any corporation or other such organization would violate the law."

#### The Exemption Feature.

The *Record* shows that the Treasury Department regulations have made insufficient provision to enable the holder of bonds to claim his full exemption from the operation of collection of the tax at the source. The Treasury regulations recognize the claim of a bondholder for exemption from the operation of collection at the source only in the case of his \$2,000 or \$4,000 exemption, allowed on net income.

But it is pointed out that the holder of bonds is having the tax deducted by corporations on the basis of his gross income. There are cases where a person's gross income is more than \$2,000 or \$4,000, but his net income is less. The Treasury Department, it is shown, makes no provision for a person to secure a statement of deduction from gross income, such as expenses, losses, as provided in the law, in order to present to corporations a statement of net income, on which the person's tax is based.

It is provided in the law, but not in the Treasury regulations that such a statement of deductions from gross to arrive at net income will be accepted by a corporation required to deduct the normal tax, not less than thirty days before the end of the year. The Treasury Department has failed to recognize this claim and the consequences as stated out is that persons entitled to exemption from the tax as having net incomes less than \$2,000 or \$4,000 will have to pay the tax on their gross income, at least temporarily through deduction by corporations from the interest on their bonds, if their gross income is from bonds.

#### Another Impossibility.

The impossibility of swearing ahead of the end of the year as to what one's net income will be at the end of the year, in order to get the benefit of the exemption from deduction at the source during the year, is thus illustrated:

"The return of income must be made by oath or affirmation, with a penalty of a fine not exceeding \$2,000, or imprisonment not exceeding a year, or both for any false or fraudulent return or statement, with intent to defraud or evade assessment. How many individuals will be able to swear to the amount of their gross incomes and to the deductions allowed at any time before the close of the calendar year in which the income accrues to them and the payments or losses that are to be considered in making the deductions are met?"

"According to the Treasury Department's regulations, the exemption from the tax on the interest from bonds cannot be enjoyed by the owner of the bonds and he cannot receive his interest unless he presents with his coupon to his bank or to the debtor directly a statement claiming the exemption under paragraph E. Yet in many cases the only means of knowing what the internal revenue office will regard as net income will not be available until a year after his claim for exemption must be made."

"He may have a coupon payable on January 1, 1914, for example. His net income may be derived from the interest on 4 percent bonds and amount to \$3,200 a year. These bonds are taxed locally to an amount equal to 10 per cent of the interest on them, or \$320. Without any other deductions his net income is brought to \$2,880, a sum within the amount of income exempt from taxation under the law. The return for the calendar year 1914 is to be made by March 1, and the tax is to be paid by June 20."

#### Must Have Second Night.

"It is not possible for the bondholder to swear, on or after January 1, 1914, that his gross income for the calendar year 1914 is \$3,200 and his net income \$2,880 and thus be in a position to claim exemption and obtain his full interest from his debtor? He cannot swear that

he has a certain income until he has it or that he has a claim to deductions on account of taxes until he has paid the taxes. Yet under the law, such an impossible feat he can hardly claim safely exemption and his debtor corporation will be compelled under the regulations of the Treasury Department to pay him less interest on his bond than it is contracted to pay when the bond was executed."

## INCOME TAX IN WORSE TANGLE

Continued from First Page.

At the Equitable the regular coupon collection force had been doubled and officers of the company were actively assisting and directing the clerks.

The Central Trust company department was handling its crowd expeditiously and advising those with the old form of printed certificate to wait until Monday for the new ones printed. Those who insisted on retaining the old certificates, however, were paid. The Chase National Bank had shifted part of its clerical staff into the coupon handling department. At the office of J. P. Morgan & Co., where perhaps the largest payment of coupons was going on, because of the Steel Corporation payment of nearly \$2,000,000, ten extra men were required.

#### Bases for Payments.

"The chief principle of interpretation on which most of the paying agents were basing their action yesterday was that the Government had primarily insisted that before payment of coupons some one of the certificates provided should be secured by the paying or collecting agent. It was assumed that the Government wanted primarily was the information the certificates afforded as to the total wealth of every holder of bond coupons."

"This it wanted in order to facilitate its collection of the surtax, which is not a collection at the source, but one through deduction by the owner. Collecting and paying agencies insisted therefore yesterday that a certificate accompany the coupons."

The Louisville and Nashville, some of whose bonds were guaranteed tax free, ordered that unless a certificate was filed with coupons the normal tax of 1 per cent should be deducted and withheld until such certificates were received. It took this position on the ground that despite its guarantee such a procedure had been read into its contract with bondholders by the income tax law.

There was little discussion of the new requirements of the Treasury Department in series 2, just issued. One point commanded attention. The requirement that a man paying a yearly rental of over \$2,000 or \$4,000, as many do downtown, may deduct the tax from this amount and withhold it until the June 1 following the end of the year was denounced.

"The danger of losing the amount of this tax through removal of the tenant to another place or through his business failure was pointed out as being very great. The deduction of the tax is not from net income, on which the final tax is based, but from gross income."

#### CONFUSION IN PHILADELPHIA.

Mistakes by Outside Banks Affect the Money Market.

PHILADELPHIA, Nov. 1.—In the financial district much confusion prevailed today because of the efforts of bankers and investors to comply with the new income tax law. When the collection of the tax in the investment field began it was soon discovered that few individuals were familiar with the provisions of the law and its effect. The greatest difficulties arose through out of town banks sending the coupons without certificates of ownership attached.

Institutions here refused to accept the coupons with unattached ownership certificates. This hitch caused vast sums to be withheld from rightful owners and affected the money market.

State and municipal bonds caused more confusion. They do not require certificates of ownership, but some banks not understanding this demanded certificates for them.

#### PITTSBURG BANKS STALLED.

Income Tax Official There Unable to Cope With Situation.

PITTSBURGH, Nov. 1.—More than \$100,000 in interest on bonds income subject to the income tax today and not a financial institution in the city understands how to pay it.

The law specifies that the tax must be collected at the source and the banks do not understand how to ascertain the source.

W. A. Reinhold, in charge of the income tax department of the Pittsburgh internal revenue office, is unable to cope with the situation.

#### CINCINNATI ALSO PULZED.

Bankers Will Follow Lead of the Financial Centres.

CINCINNATI, Nov. 1.—Cincinnati bankers and attorneys are at sea on the provisions of the income tax collection, features of which went into effect today.

The Cincinnati bankers declare they will follow the lead of the large financial centres in dealing with the situation. A rough estimate was made today that Cincinnati would pay perhaps \$300,000 or \$400,000 annually to the Federal Government in income taxes.

#### DEMANDS \$500 OR HER LIFE.

"Black Hand" Letter Sent to a New York Spinster.

POUGHKEEPSIE, N. Y.—Sheriff Hornbeck and Assistant District Attorney Mulvey of Dutchess county are investigating the mystery of a Black Hand letter received on October 15 by Miss Annie Taylor, a wealthy spinster, who lives alone on her estate at Pine Plains.

The letter, which was postmarked at Poughkeepsie, demanded that she give up \$500, otherwise her home would be destroyed and her life taken. She was to place the money in a tin can "in the northeast corner of your lot between the hours of 10 and 12, midnight," October 19.

The Sheriff and Mr. Mulvey had near the property on the night of October 19, in the letter, but failed to find the writer.

#### MAN FOUND SLAIN IN STREET.

Brooklyn Police Say He Was Murdered as Result of Vendetta.

A murder, possibly the result of a vendetta between Shillans, is occupying the time of the detectives of the Hamilton avenue station in Brooklyn.

## Success crowns the New Claridge Dining Room and Lounge

THE formal opening last evening of the new Dining Room and Lounge at The Claridge was a signal success.

The Dining Room and Lounge were crowded to capacity, the decorations and appointments were enthusiastically commended, and the cuisine and service pronounced superb.

Today it is both a pleasure and a privilege to record our thanks in acknowledgment, to express regrets at our inability to accommodate those who sought reservations and admission after the capacity was exhausted, and to pledge ourselves to maintain at all times the highest possible order of service at The Claridge.

## Hotel Claridge

(Formerly Rector's)  
BROADWAY AND FORTY-FOURTH STREET  
JOHN HILL EDWARD H. CRANDALL

## HENNESSY OFFERS TO BACK UP HIS CHARGES

Willing to Let McCall Draft Them and He Will Sign.  
He Declares.

DARES HIM TO TESTIFY

Sulzer's Investigator Says Democratic Candidate Begs Personalities.

An audience of Brooklyn Progressives who jammed the Academy of Music from stage to topmost gallery heard John Purroy Mitchell, George McAneny and William R. Prendergast and their unofficial Prince Rupert, John A. Hennessy, take a final fling at Tammany Hall last night. They gave the candidates for Mayor, Comptroller and President of the Board of Aldermen enthusiastic greetings and unreserved applause, but their greatest enthusiasm was reserved for Mr. Hennessy, whom they kept talking for an hour and fifteen minutes and then called for more.

Mr. Hennessy had little new to add to his speeches, and he never once called Judge McCall the usual word. He had a few challenges, however, which if accepted he sincerely surmised would prove the Judge to be a perjurer and a few other things.

He challenged Judge McCall to go on the stand in the John Doe proceedings before Magistrate McAdoo Monday afternoon and swear that he had sent several delegations of men to him who had reported back they were received with harsh words.

He also challenged Judge McCall to go on the stand and support under oath his denial that Hennessy had ever had a conversation of more than ten minutes' duration at the office of the Public Service Commission. Hennessy declared that he could prove that he was in the private office of the chairman of the Public Service Commission at the time by his own personal attendance and by persons in the employ of the commission.

Says He'll Sign Charges.  
His third challenge was that Judge McCall would dox the names of the charges which he has said that Hennessy would not commit to writing. Hennessy promised that he would sign them and then let Judge McCall start his libel action.

After saying incidentally that he understood Gov. Glynn is to appoint Packey McCabe chairman of the up-State Public Service Commission, he read a letter he says William R. Prendergast is receiving from the Democratic headquarters and then narrated experiences which set the audience roaring with laughter. Mr. Hennessy spoke part of the time.

"I want the Hon. Judge Edward E. McCall to appear before the people in the John Doe conspiracy proceedings which will be continued Monday and deny by charges," he said, "I want him to deny that I was alone with him in the rooms of the Public Service Commission."

"He won't do that because he knows if he does he might join somebody else up on the river."

Mr. Hennessy did not say who that "somebody" was.

"I see that my friend Mr. McCall has had something to say to-day," the former graft investigator began. "He said at a noonday meeting that he had sent persons to see me in regard to having me sign the names to charges I have made against him."

Denies Messengers Came.  
"The Hon. Judge McCall sent nobody to see me," Hennessy proved that as he said. Judge McCall also is quoted as saying that when the messengers came to me I answered them in such a way that he would not mention my exact language to the ladies present. I deny that."

"I will give him an opportunity to show to this community that I am a liar, that I am not fit to be believed. There is a John Doe proceeding going on in Manhattan. It is being conducted under the general head of conspiracy. I invite him to take the stand Monday and say that he ever sent anybody to see me and that they saw me. If he does I will have him convicted of perjury."

Mr. Hennessy said he had increased his bodyguard to five men instead of the three who were in Greater New York. The report says that more liberal playground facilities or any policy to relieve congestion of population and traffic would materially decrease the number of deaths.

#### TWO DIE IN MOTOR ACCIDENTS.

Motorcyclist Hits Tree—Boy Killed by Auto.

PATERSON, N. J., Nov. 1.—There were two motor accidents here today which resulted in two deaths. Charles Koller, 23 years old, of 185 Bloomfield avenue, Passaic, tried to dodge a wagon on Market street and steered into the curb. He was thrown head first against a tree and killed.

An automobile owned by H. V. Rodell, an automobile dealer of 92 Fourth avenue, Hackensack, killed Samuel De Marco, 17 years old, of 235 Park street. The boy walked directly in front of the machine, which was going slowly.

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1. The inevitable long corset-skirts are made flexible and comfortable by the durable semi-elastic Nemo fabrics, which are GUARANTEED TO OUTWEAR THE CORSET.
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3. Durable bands of LASTIKOPS semi-elastic fabrics reduce hips and thighs; support the abdominal walls; prevent harsh pressure anywhere, no matter how tightly the corset is laced.

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No. 512 THE NEWEST LASTIKOPS CORSET, for tall or average full figures; produces extreme reduction, all around, below the waist-line. Extremely long skirt; broad bands of semi-elastic Lastikops Webbing across thighs and lower hips, the new Lastikurve-Back. This triple REDUCTION also gives a triple EXPANSION when seated—splendid style and perfect ease. Fine white coutil, sizes 20 to 30

If you have a full, large figure, and want extreme abdominal support from underneath, try Nemo No. 523, at \$5.00. If you prefer a model that will gradually drive away abdominal fat while giving you a fine figure, try improved Auto-Massage Corset, No. 356, at \$3.50. If you want good abdominal support with wonderful reduction of back and hips, look at Nemo No. 506, at \$5.00. If your upper limbs are thick and heavy, you'll find relief and comfort in Nemo No. 409, at \$4.00. If you desire a fine reducing corset, giving excellent abdominal support, with low bust and very long skirt, try Nemo No. 322 or No. 326, at \$3.00. Many other models. Ask your dealer.

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## PARTY CHIEFS WATCH JERSEY ELECTION

President Wilson Would Regard Fielder's Success as Administration Victory.

BAY STATE UNDER VIEW

Democratic Triumph There Is Expected—Interest in Progressive Vote.

WASHINGTON, Nov. 1.—New Jersey and Massachusetts furnish the central points of interest for the national political leaders concerned in the elections of next Tuesday.

Special attention was directed to New Jersey by President Wilson and his immediate group of political retainers. They hope to keep New Jersey in line and are encouraged, so it is reported at the White House, by the belief that the State will stand by its first President by electing Gov. Fielder for the full term.

The Administration feels that a verdict for Fielder will be accepted broadly throughout the Union as an endorsement of the Wilson policies as expressed in legislation pending and passed since March 1. In Massachusetts the hopes and aims of ex-President Roosevelt and his associates are at stake. There the Progressives have concentrated their efforts and expect a result showing that the Progressive party still has life left in it.

Republican leaders are watching both States, hoping that it will be shown that the third party movement is flitting out. They are confident that whether defeat or victory comes to them in New Jersey and Massachusetts the figures at least will demonstrate that the Bull Moose calves which strayed from the fold in 1912 are coming back inside the corral in the belief that past offenses will be forgotten.

The 1912 election, in which the Bull Moose party, looking to the Congressional election of 1914 and hoping that a careful digestion of the election figures next Tuesday will point the way to a recapture of the House of Representatives.

With ex-Gov. Edward C. Stokes as the Republican standard bearer in New Jersey party leaders believe they have more than an even chance of swinging that State back into line.

Political wisemen assert that a Progressive vote of less than 40,000 will send Stokes to Trenton in triumph.

Everything that could possibly be done by President Wilson to promote the candidacy of Mr. Fielder has been done. He has made the Fielder fight an Administration battle.

W. J. Bryan and lesser lights of the so-called progressive Democracy have been shipped into New Jersey to make speeches for Fielder. Joseph P. Tumulty, secretary to the President, who is a practical politician, has spent considerable time in the State and is lending the Fielder organization his aid and counsel.

Friends of the President insist that the defeat of Fielder would not mean popular disapproval of the Administration, but it Fielder carries off the palm there will be wild yells of Democratic jubilation in the national capital. The President's heart is set on a victory and defeat will cut him deeply.

Massachusetts' four cornered Donnybrook is more complicated than New Jersey's triangular contest. Augustus P. Gardner, the Republican candidate, loomed up in formidable fashion at the opening of the campaign. Internal strife in the Republican State committee and Mr. Gardner's alleged imprudence in certain of his campaign utterances are believed to have put the Republican ticket out of the running. The Bull Moose ticket is making a strong fight, but the advantage would seem to lie with Lieutenant Daniel I. Walsh, the Democratic candidate.

When Mr. Roosevelt departed for Santa Monica he issued a statement in which he said that Massachusetts was the only

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State in which the result of the election would give a fair indication of the strength of the third party movement.

As a matter of fact the Colonel does not expect the Bull Moose party to make even a creditable showing anywhere else except in Massachusetts and Lee, the Progressive candidate, who has been endorsed by the Wilson Administration, apparently is trying to evade it. On the other hand, Garrison, the Republican candidate, has come out for local option.

Lee insists that he is running for a national office and that local option is to secure a national issue. The Anti-Saloon League under a speech made by Mr. Bryan in Nebraska in which the Secretary of State declared local option to be a national issue in the broadest sense. President Wilson is deeply interested in the election of a Democratic Senator in Maryland, for the reason that the Democratic party controls the Senate by a narrow margin.

When asked about the charges to-day Mr. Bryan said:

"In Nebraska I was discussing the liquor question as a State issue, but at the same time I was urging the election of a Democrat for United States Senator with whom I differed on the liquor question."

"I regard the national issue as a paramount one, and I think it would be a great mistake for any Democrat to abstain from sending a Republican to the United States Senate to let the President's hands be obstructed by his policies."

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